PUBLIC

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2019-00097

September 10, 2019

EMERA MAINE, MAINE ELECTRIC
POWER COMPANY, AND
CHESTER SVC PARTNERSHIP
Request for Approval of
Reorganization

BENCH MEMORANDUM

I. INTRODUCTION

On May 7, 2019, Emera Maine, Maine Electric Power Company, Inc., and Chester SVC Partnership (Petitioners) filed a request for Commission approval of a proposed reorganization pursuant to 35-A M.R.S.A. § 708(2). The proposed reorganization would allow ENMAX Corporation (ENMAX), acting through its wholly-owned, indirect subsidiary, ENMAX US Holdings, to acquire all of the outstanding common stock of BHE Holdings Inc., which is the direct parent company of Emera Maine. Emera, Inc., the ultimate parent of Emera Maine, is a geographically diverse energy and services company headquartered in Halifax, Nova Scotia, with approximately $32 billion in assets and 2018 revenues of more than $6.5 billion. Emera has investments throughout North America and the Caribbean, including ownership of Nova Scotia Power and Tampa Electric Company. The proposed reorganization is structured as a sale of 100% of Emera US Holdings Inc.'s equity interests in BHE Holdings to ENMAX US Holdings. ENMAX would indirectly control 100% of BHE Holdings, and BHE Holdings will remain the direct parent company of Emera Maine.

On June 5, 2019, Commission Staff convened a case conference, at which the parties discussed a schedule and the Hearing Examiners granted petitions to intervene. A procedural order dated June 7, 2019 set a preliminary schedule in this docket. Following discovery delays regarding the petition and testimony of Petitioners and ENMAX, and a partial completion of the preliminary schedule, a procedural order dated August 21, 2019 provided a revised schedule, including a September 10, 2019 due date for any bench analysis from Commission Staff.

In its filing, ENMAX states that it is committed to working with Commission Staff, the Office of the Public Advocate (OPA) and other stakeholders to develop a package of customer benefits and protections that "best reflect the specific needs of Emera Maine's customers and the social, economic and environmental policy initiatives of the State of Maine." To facilitate discussion among the Staff and parties, ENMAX prepared a proposed set of 36 conditions which, it states, would strike the balance between ensuring customer benefits and protections and the efficacy of the proposed transaction. Pref. Test G. Manes, Exhibit GM-2, attached hereto as Bench Memorandum Exhibit 1.

In this Bench Memorandum, Staff outlines its concerns at this point in the proceeding regarding the proposed reorganization and addresses the extent to which the conditions proposed by ENMAX may be insufficient to ensure net benefits accrue to ratepayers and provide appropriate protection against any risks of the proposed transaction. Staff provides additional potential conditions in several broad categories that could mitigate these concerns. Staff looks forward to the comments of the parties on these, and other, potential conditions which could provide further protection and/or

benefits to Emera Maine customers as the Commission considers this proposed transaction. The Staff would note that it is not, at this time, taking any position or making any proposal on the ultimate question of whether the proposed ENMAX/Emera transaction should be approved. The inclusion of proposed conditions in this Bench Memorandum should not be interpreted as such.

II. PROPOSED TRANSACTION CONDITIONS AND COMMITMENTS

A. Governance

Under the proposed transaction, Emera Maine will become a wholly-owned, indirect subsidiary of ENMAX. ENMAX is a private business corporation with a single shareholder, the City of Calgary. ENMAX commits to operating Emera Maine as a stand-alone utility and states that the City of Calgary will not have decision making authority with regard to Emera Maine's operations or management, nor will the City of Calgary elect the board of directors of Emera Maine. In addition, ENMAX commits to maintaining the same governance structure that is in place for Emera Maine today with a nine-member board of directors, four of which are independent. The Emera Maine board of directors will be selected by the ENMAX board.

ENMAX explains that the ENMAX board of directors is elected by the Calgary City Council acting as the representative of the shareholder, based on nominations by the board. 7/17/19 Tr. at 27-31. In May 2019, ENMAX updated its governance structure such that city council members cannot serve as board members. Shareholder responsibilities are limited to appointing ENMAX's auditor, electing the ENMAX board of directors and making its own decisions with respect to its ownership of ENMAX.

Staff is supportive of the commitments made by ENMAX regarding the governance of Emera Maine. Notwithstanding those commitments, however, Staff continues to be concerned that the City of Calgary could interfere with, or exert undue influence over, Emera Maine's management and operations. Unlike Emera Inc., which is publicly traded and has numerous shareholders with potentially different interests, ENMAX has a single shareholder who elects its board. The City of Calgary could potentially appoint ENMAX board members, and therefore influence the appointment of Emera Maine board members, whose interests are more in line with the City than with Emera Maine or its ratepayers.

Structuring a set of additional governance requirements at this time to properly address these concerns is difficult and would likely require the involvement of the City of Calgary. Nevertheless, in addition to the changes already implemented and the conditions proposed by ENMAX, Staff would propose the additional requirement that the independent members of the Emera Maine board be prohibited from serving on the board of directors of ENMAX or any affiliate or having any material relationship with the City of Calgary. Finally, Staff notes that, pursuant to 35-A M.R.S. §708, the Commission retains the authority to order divestiture if necessary to protect the interests of the utility, ratepayers or investors.

B. Financial Quality and Access to Capital Concerns

Most, if not all, of the concerns related to the financial condition of Emera Maine post the proposed transaction stem from ENAMX's plan to finance the

acquisition of Emera Maine with 100% borrowed funds.[1] In describing its financing plans, ENMAX states that it currently intends to obtain **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** 8/14/19 Tr. at 48-51.

Given the source of funds ENMAX intends to use to repay the debt borrowed to acquire Emera Maine, Staff has concerns about the reliability of this cash flow and the potential that ENMAX may have to turn to relying on cash flow from Emera Maine to repay the acquisition debt. This could result in the need to increase dividends paid by Emera Maine to ENMAX and erosion to Emera Maine's credit quality. Additionally, the increased leverage at the parent level could negatively impact Emera Maine's access to capital by constraining any future equity infusions by the parent or because it results in a downgrade of ENMAX's credit rating, thereby potentially affecting both the borrowing capacity and the borrowing costs of Emera Maine.

To address the potential for credit quality erosion, ENMAX has proposed conditions applicable to Emera Maine, including: maintaining separate books and records; prohibiting commingling of funds or money pooling arrangements; and

[1] **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]**

maintaining separate debt. In addition, ENMAX proposes certain rate-related conditions such as a hold-harmless provision relative to any increases in the cost of capital. Staff is supportive of these proposed conditions but would recommend strengthening and requiring other ring-fencing provisions.

First, ENMAX proposes maintaining the current minimum equity ratio requirement at 45% calculated on a 13-month trailing average basis. Staff recommends increasing the minimum common equity ratio to 48%. A thicker equity layer is generally viewed as more protective of the financial integrity of the utility and may contribute to creating greater separation between the credit ratings of ENMAX and those of Emera Maine. A minimum common equity ratio of 48% is more in line with that established for CMP. *Central Maine Power Company and Maine Natural Gas Corporation, Petition to Amend Minimum Common Equity Provisions of Merger*, Docket No. 2012-00511, Order at 5 (April 4, 2013). Additionally, the recommended 48% minimum common equity ratio is consistent with the level approved in connection with the formation of a holding company structure for Maine Public Service Company. *Maine Public Service Company, Request for Approval of Reorganization of the Company into a Holding Company Structure*, Docket No. 2002-676, Order Approving Stipulation at 6 (March 26, 2003).

Further, ENMAX proposes a dividend restriction that would prevent Emera Maine from paying dividends unless the minimum common equity ratio were maintained. Staff recommends a more direct dividend restriction that would prohibit Emera Maine from paying dividends in excess of 100% of net income, measured on a two-year average basis. Finally, in order to further insulate Emera Maine from the

possibility of rating downgrades at the ENMAX level, Staff recommends that Emera Maine obtain and maintain a stand-alone credit rating. Staff would consider the cost of obtaining and maintaining a credit rating for Emera Maine to be a transaction-related cost and, thus, not recoverable from ratepayers. This requirement could be reviewed after five years to determine the necessity of continuing to maintain a stand-alone credit rating.

C. Rate Related and Affiliate Support Concerns

As noted above, ENMAX's Exhibit GM-2 outlines a set of proposed commitments and conditions. Included among these are commitments related to a base rate case "stayout" and affiliate transactions. With respect to the stayout, ENMAX commits to not seek any rate increase that would be effective before January 1, 2021. Stated another way, ENMAX would not file a base rate case before April 1, 2020. The provisions related to affiliate transactions specify how ENMAX would provide the affiliate services that are currently provided to Emera Maine by an Emera affiliate, and what Emera Maine would be charged for these services for a specified period of time. Specifically, ENMAX would retain the option to have Emera continue to provide some or all of these services through an agreement with Emera Maine for a period of up to 180 days after closing. After that, ENMAX would provide these services to Emera Maine itself or through one of its affiliates, or by using a third-party provider. ENMAX commits that, for a period of five years, the allocated costs to Emera Maine of the affiliate services it provides would not exceed the costs Emera incurred prior to the acquisition, "subject to inflationary and other customary adjustments." Pref. Test G. Manes, Exhibit GM-2,

Proposed Commitment 32. There is no commitment regarding affiliate service costs after this five-year period.

For the reasons discussed in section II(B) above, it may be challenging for ENMAX to support the operating costs and investments needed to ensure that Emera Maine customers receive safe, adequate and reliable service without raising customer rates. In fact, ENMAX appears to acknowledge that, particularly in the case of the aging infrastructure at Emera Maine, incremental capital investment will be required and it is reasonable to assume that rates would increase over time, although they have provided no quantification of any expected increases. ODR-003-006. Staff notes that the stayout ENMAX has proposed (1) is rather short and (2) does not appear to apply to transmission rates, which, pursuant to the FERC formula rate process, would be adjusted on an annual basis. Moreover, there is no commitment regarding the magnitude and frequency of distribution rate increases after the stayout period. Thus, the benefits of the ENMAX proposed stayout appear to be limited in scope and short-term in nature. Given this, it may be difficult to find that the proposed transaction meets the statutory standard of providing benefits to ratepayers. Staff suggests that a longer stayout, e.g., (1) ENMAX would *not file* for a distribution rate increase case prior to January 1, 2021 and (2) ENMAX would *not increase* transmission rates prior to June 1, 2021, would strengthen the proposed transaction in this regard.

With respect to the affiliate service costs commitment Staff is uncomfortable with the inclusion of the term “customary adjustments” as that term is undefined. Unless what would be included in such adjustments can be identified with specificity, and the included elements are reasonable, Staff would propose to limit adjustments to the

affiliate service costs to inflation only. Moreover, there is no cap at all on affiliate service charges after the initial five-year period. Staff notes, however, that all agreements between ENMAX or one of its affiliates and Emera Maine would require Commission approval, which provides some level of protection. Nonetheless, it may be useful to establish in this proceeding certain standards against which the reasonableness of these costs would be evaluated after the initial five-year period. Recognizing that the nature of the affiliate services provided is likely to change over time, relying on an inflation-based index after the initial five-year period may be unworkable. Thus, Staff proposes that at the conclusion of the five-year "freeze" period, Emera Maine and ENMAX present an analysis that shows that the services that were being provided or that are then proposed to be provided cannot be provided in the market. To the extent that the analysis indicates that the services can be provided in the market, Emera Maine and ENMAX should then go through a request for proposals process and obtain market prices for such services consistent with the requirements of Chapter 820 of the Commission's Rules and suggested by the Liberty Consulting Group (Liberty) in *Public Utilities Commission Investigation Into Rates and Revenue Requirements of Central Maine Power Company*, Docket No. 2018-00194. See: Liberty Consulting Group comments on the CMP Affiliate Costs Market Study (August 13, 2019). The market prices obtained can then be compared to the costs of providing such services by an ENMAX affiliate and the cost minimizing option can then be selected.

As an Emera affiliate, Emera Maine has access to a wide array of resources when it needs additional assistance to recovery from storm activity. These Emera resources are available to Emera Maine prior to being offered to other utilities through

the North Atlantic Mutual Assistance Group (NAMAG) process. In recent storms, Emera Maine has been aided by crews from Nova Scotia Power, Tampa Electric and Emera Utility Services. These affiliated companies not only provide manpower and equipment during storm recovery efforts, but they add certainty during the planning process. Because these affiliate crews are considered Emera Maine crews in the NAMAG process, Emera Maine knows how many will be available and when they can be in position to respond. This availability both aids in the pre-staging process and helps to reduce outage duration times. These resources are especially valuable when utilities in Southern New England are reluctant to release crews during regional storm events. Without the resources provided by the Emera affiliates, Staff is concerned that storm restoration times will be longer for Emera Maine customers and, thus, Emera Maine customers would be adversely impacted by the proposed transaction. ENMAX should address how this adverse impact can be mitigated as part of its rebuttal testimony in this proceeding.

D. Operational and Customer Service Concerns

As part of Emera Maine's 2016 rate case, the Commission retained the Liberty Consulting Group to conduct an audit of Emera Maine's management and operations of its transmission and distribution (T&D) system to determine whether such management was being done in an effective, prudent and efficient manner, and in a manner that ensured that its customers were receiving reliable service in accordance with reasonable utility management practices. As a general matter, Liberty found Emera Maine's practices with regard to its T&D system to be reasonable. Liberty did, however, note a concern over Emera Maine's relatively poor reliability statistics and about the

Company's apparent willingness to accept these historically low levels. Specifically, Liberty noted that Emera Maine's reliability, as measured by frequency of interruptions, when compared to other utilities, was essentially at the bottom of the list. *Emera Maine, Request for Approval of a Proposed Rate Increase*, Docket No. 2015-00360, Order Part II at 31. (Dec. 22, 2016). In the Company's next rate case, Docket No. 2017-00198, Emera Maine stated that it had accepted a number of Liberty's findings regarding reliability and planned to target annual incremental reliability performance improvements. In addition, as part of its program to improve reliability, Emera Maine requested and was granted approval to move from a six-year cycle tree trim program to a five-year cycle program. *Emera Maine, Request for Approval of Proposed Rate Increase*, Docket No. 2017-00198, Order at 21 and 55-57.

As discussed above, a major concern that Staff has with the proposed transaction is the fact that ENMAX will be financing its purchase of Emera Maine with 100% debt. This overarching concern leads to a subsidiary concern that ENMAX may try to "mine" earnings from Emera Maine by cutting back on infrastructure-related investments and operations and maintenance budgets in order to satisfy its purchase related debt requirements.

In its prefiled testimony, ENMAX expressed a willingness to include commitments and conditions around maintaining safety, reliability and customer performance. Pref. Test G. Manes at 10. Further, ENMAX highlights its accomplishments in providing quality, reliability and customer service in its own service territory. Id at 15. ENMAX proposes "supporting Emera Maine's provision of safe and reliable distribution service."

However, there are no specifics provided that would spell out how ENMAX envisions to uphold that commitment.

While it is important to maintain existing service levels to customers, improving on those levels would provide a benefit to Emera Maine's customers, especially in areas where Emera's performance has not been strong. Therefore, Staff is proposing a series of Service Quality Index (SQI) performance metrics and penalties that will not only ensure that service does not degrade because of the acquisition but incents improvements which will benefit customers.

The Staff proposes the following five indicators that would comprise the SQI: Customer Average Interruption Duration Index (CAIDI); System Average Interruption Frequency Index (SAIFI); Percent of Business Calls Answered within 30 Seconds; Percent of Contractor Calls Answered within 30 Seconds; Call Abandonment Rate; and Bill Error Rate. Staff proposes that these metrics and the proposed penalty mechanism would remain in effect for a period of five years after the transaction closes, measured on a 12-month basis beginning with the first month after transaction close, subject to review by the Commission for modification. These metrics represent key aspects of Emera's service that Staff believes are important to customers. Further, Staff recommends that the Commission adopt service quality metrics and appurtenant benchmarks that were previously adopted for either Bangor Hydro Electric (BHE) and Central Maine Power's (CMP), or both, in prior alternative rate plans (ARP). Both of these plans were approved by the Commission and, thus, the metrics, as well as the benchmarks, were found by the Commission to represent "reasonable and adequate service."

1. Customer Average Interruption Index (CAIDI)

CAIDI represents the average time required to restore service to customers following a sustained interruption. CAIDI is generally considered to be a good indicator of the adequacy or quality of a utility's response to outages.[2] The CAIDI formula is:

$$\text{CAIDI} = \frac{\sum \text{Customer Interruption Durations}}{\text{Total Number of Customers Interrupted}}$$

The higher the CAIDI number, the longer it takes for the utility to restore service to its customers, as measured on a system average basis.

Staff recommends that the initial benchmark for CAIDI be 2.43 hours per year. This reflects Emera Maine's annual CAIDI performance averaged over the past four years (2014-2018) post exclusion. As this performance ranks at the bottom of the fourth quartile in the Institute of Electrical and Electronic Engineers (IEEE) standards, Staff further recommends a two percent reduction in each of the next four years, resulting in CAIDI targets as shown in the table below.

[2] CAIDI is defined and calculated in accordance with IEEE Std. 1366-1998, or a more recent version, if any.

Emera Maine : CAIDI	
4 year average Post Exclusion	
Year	CAIDI
Baseline	2.43
YR 2	2.38
YR 3	2.34
YR 4	2.29
YR 5	2.24

As is generally done with this type of metric, Emera Maine may exclude from its CAIDI performance calculation “major event days” which will be determined using the IEEE 2.5 Beta approach. An annual performance result for this metric that is higher than the benchmark, after major event days are excluded, will be an indication that Emera Maine has not met the CAIDI metric.

2. System Average Interruption Frequency Index (SAIFI)

SAIFI provides an indication of the average frequency of sustained interruptions[3] per customer over a predefined area.[4] SAIFI was included as a metric in in both BHE’s and CMP’s last ARP. The SAIFI formula is:

$$\text{SAIFI} = \frac{\text{Total Number of Customer Interruptions}}{\text{Total Number of Customers Served}}$$

[3] Pursuant to the Institute of Electrical and Electronics Engineers, Inc. Standards Board (IEEE) standard 1366—1998, a “sustained interruption” is “any interruption not classified as a momentary event. Any interruption longer than 5 minutes.”

[4] SAIFI is defined and calculated in accordance with IEEE Std. 1366-1998, or a more recent version, if any.

SAIFI is generally considered a good indicator of the condition of a utility's plant, as well as the quality of the utility's tree trimming and preventive maintenance activities. The higher the SAIFI number, the more sustained outages the utility's customers have experienced. If a utility's plant is old and/or has not been properly maintained, the distribution system is likely to be more susceptible to outages caused by storm damage and equipment failure. Also, if adequate tree trimming has not taken place, the transmission and distribution system is more susceptible to outages caused by tree limbs contacting the utility's equipment.

Staff recommends SAIFI targets as shown in the table below.

Emera Maine : SAIFI	
4 year average Post Exclusion	
Year	SAIFI
Baseline	2.64
YR 2	2.56
YR 3	2.48
YR 4	2.41
YR 5	2.33

This represents Emera Maine's annual SAIFI performance over the past four years (2014-2018) post exclusions and reflects a three percent annual improvement over the course of the term. As with CAIDI, "major event days", which will be determined using the IEEE 2.5 Beta approach, would be excluded when calculating SAIFI. An annual performance result for this metric that is more than the benchmark, after major event days are excluded, will be considered an indication that Emera Maine has not met the SAIFI metric.

3. Percent of Business Calls Answered Within 30 Seconds.

The benchmark for this metric is "80% of calls answered within 30 seconds." The "percent of business calls answered within 30 seconds" metric and the appurtenant benchmark of 80% were both included in BHE's and CMP's last ARP.

For purposes of this metric, business calls are defined as calls received on the Company's customer service business line as specified on customer bills. Calls handled by the IVR will not be counted in either the numerator or the denominator of the performance calculation of this metric. The call time will start when a customer opts to speak to a customer representative and will end when the call is answered by a customer service representative. "Major event days," which will be determined using the IEEE 2.5 Beta approach, may be excluded from this calculation. An annual performance result for this metric that is less than the benchmark, after major event days are excluded, will be an indication that Emera Maine has not met this metric.

4. Call Abandonment Rate.

For purposes of this metric, a call is considered "abandoned" if: 1) the caller hangs up after the call is received by the Company's automatic call distribution system and the customer makes a choice to speak with a live person; or 2) the caller receives a busy signal or a "courtesy message" because the call cannot be completed. The "call abandonment rate" is calculated by dividing the number of abandoned calls by the total number of calls presented to Emera's business line. As with the other metrics, "major event days" may be excluded. An annual performance result for this metric that

exceeds the benchmark, after major event days are excluded, will be considered a an indication that Emera Maine has not met the metric.

This metric was not contained in BHE nor CMP's last ARP. However, this metric and benchmark have been proposed by the Staff in CMP's current rate case and was relevant to the Commission's finding in Docket No. 2015-00360 that Emera Maine had not been providing reasonable and adequate services to its customers. The baseline for this metric is 7%.

5. Bill Error Rate

For purposes of this metric, a bill is considered erroneous if it contains an incorrect rate or charge; lacks a proper charge, fee or tax; no monthly bill is issued when one should have been issued; or the total amount due is not correct. Estimated bills are not considered erroneous if issued in compliance with Chapter 815, section 8(L). The "bill error rate" will be calculated by dividing the number of erroneous bills issued in a calendar year by the total number of bills issued in the same calendar year. This calculation is based on actual bills issued and not on accounts. An annual performance result for this metric that exceeds the benchmark, will be considered an indication that Emera Maine has not met the metric.[5] The baseline for the bill error rate metric is 0.40%. This metric and benchmark were contained in BHE's last ARP.

6. Penalty Mechanism

[5] There is no "major event day" exclusion applicable to this metric.

Staff proposes a total potential penalty associated with the SQI of $1,750,000 annually. This amount represents approximately 2% of Emera Maine's distribution revenue requirement established by the Commission in Emera Maine's last rate case.[6] *Emera Maine, Request for Approval of a Rate Change*, Order, Docket No. 2017-00198 (June 28, 2018). The two percent is slightly below the 2.5% penalty amount established in CMP's last Alternative Rate Plan but significantly higher that the penalty set in Bangor Hydro's last rate plan.[7] *Central Maine Power Company*, *Chapter 120 Information (Post ARP 2000 Transmission and Distribution Utility Revenue Requirements and rate Design, and Request for Alternative Rate Plan*, Order Approving Stipulation, Docket No. 2007-00215 (July 1, 2008).

Emera's annual performance, as measured by the five metrics discussed above, will be compared to the established performance benchmarks each year. Based on the number of metrics, each metric is worth 20 points on a 100-point scale (100 points divided by five). If the Company's performance fails to meet any of the established performance benchmarks, points will be deducted for each metric where the Company fails to meet the benchmark. The point deduction will be based on the percentage by which the performance result deviates from the benchmark and point deductions will be rounded to the nearest tenth of a point. For example, if the actual performance deviates from the baseline by 2.5%, the deduction would be 0.5 points (20 x 0.025).

[6] The distribution revenue requirement established by the Commission in Emera's last rate case (Docket No. 2017-00198) was $88.1 million.

[7] The revenue requirement established in 2007-00215 for CMP's ARP 2008 was approximately $200,000,000. The total potential penalty established in that case was $5,000,000 (5,000,000/200,000,000 =.025).

A revenue reduction of $175,000 will be imposed for each point deducted or a proportional amount for each tenth of a point in instances where there is less than a full point. For the example provided above, i.e., a deduction of 0.5 points, then, the revenue reduction would be $87,500. The aggregate total revenue reduction will not exceed $1,750,000 in any year. No penalty will be imposed if the aggregate point deduction is less than 0.3 points. Point deductions less than 0.3 points for a given year shall be carried over to any penalty calculation in subsequent years. By way of example, if the point deduction in Year 1 was 0.2, and the point deduction in Year 2 was 0.6, then the revenue reduction would be calculated as 0.8 times $175,000.

7. Additional Service Quality Reporting/Performance Requirements

Staff recommends an additional metric be added to the SQI to measure Emera Maine's performance at the individual circuit level. This metric, which is "SAIFI by Circuit", will focus on individual circuits with poor performance, regardless of how many customers are served by the circuit. The SAIFI by Circuit metric will identify Emera Maine's worst performing circuits and is intended to ensure that proper attention is provided to circuits with a low number of customers. Staff recommends a baseline is 6.3 interruptions per year, which is consistent with what the company is currently reporting in its Annual Reliability Report filed with the Commission. Any circuit with a SAIFI performance of less than 6.3 during a given year will be considered to not meet this metric. However, instead of a revenue reduction penalty, Emera Maine would be required to provide and implement remediation plans for each circuit that fails the SAIFI by Circuit metric and report on the progress in the following Annual Reliability Report. If

the Commission considers the progress to be inadequate, the Commission may open an investigation.

As an additional tool to monitor the issue of whether investments are being appropriately made in Emera Maine's T&D system, Staff proposes that the service quality annual report contain an age of plant component. Emera Maine currently reports the average age of distribution plant assets by major FERC category in its Annual Reliability Report. Staff recommends that Emera Maine provide the age of both its distribution plant and transmission plant in a more granular fashion by the following plant categories: pole, crossarm, conductor, transformer and recloser.

III. CONCLUSION

At this point, Staff makes no recommendation as to whether the proposed transaction should be approved. Rather, Staff has outlined concerns and risks presented by the proposed acquisition by ENMAX. In addition, Staff has proposed certain conditions for approval which may help to mitigate the concerns raised. Staff looks forward to comments from the parties on these and other potential conditions and will provide its recommendations in an Examiners' Report.

Dated: September 10, 2019

Respectfully submitted,

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